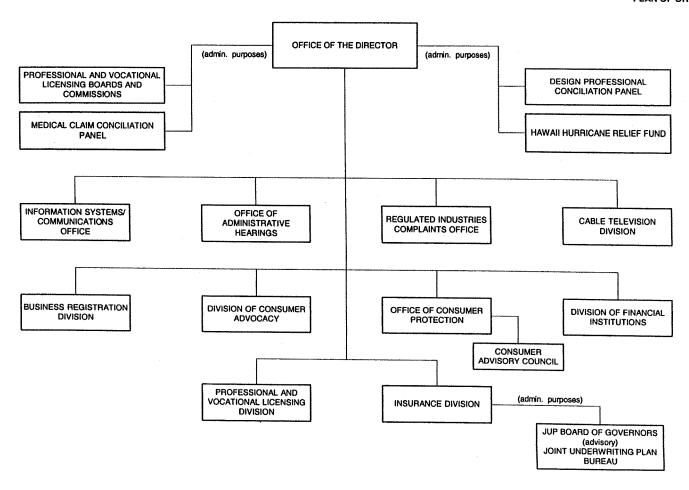


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STATE OF HAWAII DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS PLAN OF ORGANIZATION



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS MAJOR FUNCTIONS

- Develops standards relating to the licensing of and general supervision over the conduct of financial institutions, professions, businesses, trades, and insurance companies
- Grants or denies the issuance professional, business and trade licenses; directs investigations, holds hearings, and suspends, revokes or reinstates licenses; makes, amends or repeals such rules and regulations deemed proper to fully effectuate the provisions of the laws within the Department's scope and jurisdiction
- Represents, protects, and advances the interest of consumers of utility services; conducts investigations; assists and cooperates with Federal, State, and local agencies to protect the consumer's interests in the public utilities fields

- Coordinates consumer protection activities in the State; conducts investigations, research, and enforces laws, rules, an regulations in the area of consumer protection; provides consumer education services and programs
- Administers the laws of the State relating to corporations; partnerships; sales of securities; registration of trademarks, tradenames, prints and labels; miscellaneous business registrations; financial institutions; and the insurance industry
- Ensures that subscribers are provided with cable communication services which meet acceptable standards of quality, dependability, and fair rates; establishes technical standards of performances; maintains surveillance over filed rates, charges, terms, and conditions of services; and monitors the operations and management of cable television operators

MAJOR PROGRAM AREAS

The Department of Commerce and Consumer Affairs has programs in the following major program area:

Individual Rights

Consumer P	rotection/Business Regulation	Consumer Protection				
CCA 102	Cable Television	CCA 103	Consumer Advocate for Communication,			
CCA 104	Financial Institution Services		Utilities, and Transportation Services			
CCA 105	Professional and Vocational Licensing	CCA 110	Office of Consumer Protection			
CCA 106	Insurance Regulatory Services	CCA 112	Regulated Industries Complaints Office			
CCA 111	Business Registration	General Sup	<u>port</u>			
	•	CCA 191	General Support			

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS **Department Summary**

Mission Statement

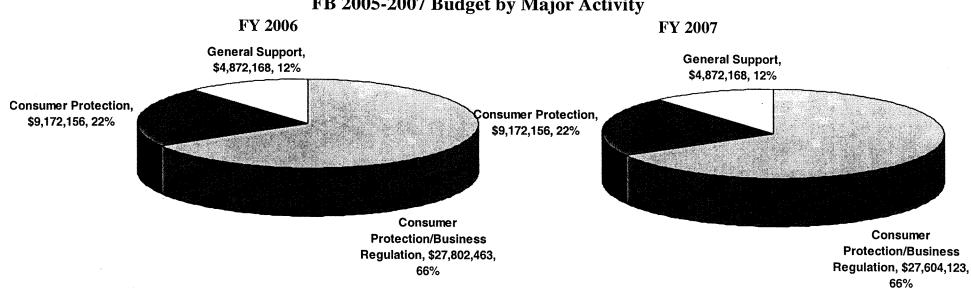
To fairly regulate business, while ensuring consumer protection in commercial transactions in Hawaii.

Department Goals

To develop, promote, and implement rational business regulation; to consider the public interest and increase the opportunity for public involvement in the regulatory process; and to ensure fairness in the conduct of administrative hearings that address decisions made by department regulators.

Significant Measures of Effectiveness	FY 2006 FY	2007
1. Percentage of complaints responded to in a timely manner	92	92
2. Average number of days to process corporation, partnership, limited liability	2	2
company, trade name or other documents with/without expedited handling		
3. Percentage cases completed within the designated time for contested case hearings	85	85

FB 2005-2007 Budget by Major Activity



Department of Commerce and Consumer Affairs (Operating Budget)

	<u>FY</u>	2005 Allocation	<u>FY 2006</u>	FY 2007
Funding Sources:	Positions	0.00	0.00	0.00
General Fund	\$	0	0	0
		333.00	340.00	340.00
Special Funds		38,020,459	39,803,259	39,604,919
		4.00	4.00	4.00
Trust Funds		2,031,578	2,043,528	2,043,528
		23.00	0.00	0.00
Interdepartmental 7	Transfers	2,473,837	0	0
		360.00	344.00	344.00
Total Requirements		42,525,874	41,846,787	41,648,447

Highlights of the Executive Biennium Budget Request:

- 1. Provided \$895,557 in special funds for fringe benefit rate increases for FY 2006 and FY 2007.
- 2. Provided \$671,920 in special funds for central service assessments for FY 2006 and FY 2007.
- 3. Provided 2 temporary positions and \$109,435 in special funds for a new licensing program for mental health counselors for FY 2006 and FY 2007, as enacted by Act 209, SLH 2004.
- 4. Provided \$358,340 for FY 2006 and \$160,000 for FY 2007 in special funds for the Drivers Education Fund.
- 5. Provided 4 permanent exempt positions and \$257,592 in special funds for the transfer of the Business Action Center from DBEDT for FY 2006 and FY 2007.
- 6. Reduced \$100,000 in special funds for reductions in repairs/maintenance expenses for FY 2006 and FY 2007.

PROGRAM ID:

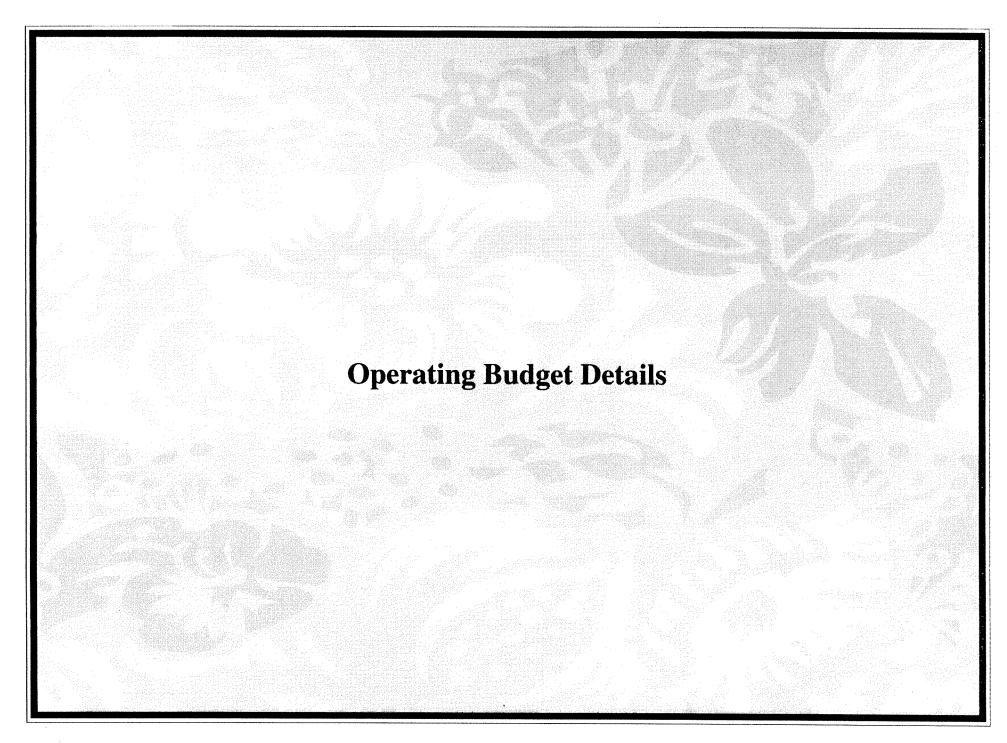
PROGRAM STRUCTURE NO.

PROGRAM TITLE:

DEPARTMENT OF COMMERCE AND CONSUMER AFFA

		IN DOLL	.ARS			IN THOUS	SANDS	
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES	334.00* 19,791,847 12,259,969	613.00* 44,468,757 25,619,121	344.00* 26,809,182 15,037,605	344.00* 26,809,182 14,839,265	344.0* 26,809 14,840	344.0* 26,809 14,840	344.0* 26,809 14,840	344.0* 26,809 14,840
TOTAL OPERATING COST	32,051,816	70,087,878	41,846,787	41,648,447	41,649	41,649	41,649	41,649
BY MEANS OF FINANCING				!				
GENERAL FUND	*	253.00* 26,644,561	*	*	*	*	*	*
SPECIAL FUND	330.00* 31,021,042 4.00*	333.00* 38,953,104	340.00* 39,803,259	340.00* 39,604,919	340.0* 39,605	340.0* 39,605	340.0* 39,605	340.0× 39,605
TRUST FUNDS	1,030,774 *	4.00* 2,016,376 23.00*	4.00* 2,043,528	4.00* 2,043,528	4.0* 2,044	4.0* 2,044	4.0* 2,044	4.0× 2,044
INTERDEPT. TRANSFER	·	2,473,837	•	7 i i !	*	*	*	•
TOTAL POSITIONS TOTAL PROGRAM COST	334.00* 32,051,816	613.00* 70,087,878	344.00* 41,846,787	344.00* 41,648,447	344.00*	344.00*	344.00*	344.00*
	==,-,-,010	========		=======================================	41,649 ======	41,649 ======	41,649	41,649

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PROGRAM ID:

PROGRAM STRUCTURE NO. 10

PROGRAM TITLE:

INDIVIDUAL RIGHTS

		IN DOLL	.ARS			IN THOUS	SANDS	
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11
OPERATING COST PERSONAL SERVICES	334.00* 19.791.847	613.00* 44,468,757	344.00* 26,809,182	344.00* 26,809,182	344.0* 26,809	344.0* 26,809	344.0*	344.0*
OTHER CURRENT EXPENSES	12,259,969	25,619,121	15,037,605	14,839,265	14,840	14,840	26,809 14,840	26,809 14,840
TOTAL OPERATING COST	32,051,816	70,087,878	41,846,787	41,648,447	41,649	41,649	41,649	41,649
BY MEANS OF FINANCING				!				
GENERAL FUND	*	253.00* 26,644,561	*	*	*	*	*	*
SPECIAL FUND	330.00* 31,021,042 4.00*	333.00* 38,953,104 4.00*	340.00* 39,803,259 4.00*	340.00* 39,604,919	340.0* 39,605	340.0* 39,605	340.0* 39,605	340.0* 39,605
TRUST FUNDS	1,030,774	2,016,376 23.00*	2,043,528	4.00* 2,043,528	4.0* 2,044	4.0* 2,044	4.0* 2,044	4.0* 2,044
INTERDEPT. TRANSFER		2,473,837	**	7		*	*	*
TOTAL POSITIONS	334.00*	613.00*	344.00*	344.00*	344.00*	344.00*	344.00*	344.00*
TOTAL PROGRAM COST	32,051,816	70,087,878	41,846,787	41,648,447	41,649	41,649	41,649	41,649

PROGRAM ID:

CCA102

PROGRAM STRUCTURE NO. 10010301

PROGRAM TITLE:

CABLE TELEVISION

		IN DOLLARS					IN THOUSANDS			
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11		
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES	4.00* 229,684 496,909	8.00* 579,370 3,203,506	4.00* 334,485 874,253	4.00* 334,485 874,253	4.0* 335 874	4.0* 335 874	4.0* 335 874	4.0* 335 874		
TOTAL OPERATING COST	726,593 	3,782,876	1,208,738	1,208,738	1,209	1,209	1,209	1,209		
BY MEANS OF FINANCING				-						
GENERAL FUND	*	4.00* 1,891,438	*	*	*	*	*	*		
SPECIAL FUND	4.00* 726,593	4.00* 1,891,438	4.00* 1,208,738	4.00* 1,208,738	4.0* 1,209	4.0* 1,209	4.0* 1,209	4.0* 1,209		
TOTAL POSITIONS TOTAL PROGRAM COST	4.00* 726,593	8.00* 3,782,876	4.00* 1,208,738	4.00* 1,208,738	4.00* 1,209	4.00* 1,209	4.00* 1,209	4.00* 1,209		

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID: CCA-102
PROGRAM STRUCTURE NO: 10010301

PROGRAM TITLE:

CABLE TELEVISION

	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
MEASURES OF EFFECTIVENESS				************				
1 % HOMES WHERE CABLE TV SERVICE AVAILABLE IN STATE	99	99	99	99	99	99	99	99
2 %COMPL BY CABLE TV COM SYS W/STATE & REG RPTG REQS	92	99	99	99	99	99	99	99
3 % COMPLAINTS ADDRESSED WITHIN 30 DAYS	95	99	99	99	99	99	99	99
PROGRAM TARGET GROUPS								
1 HAMAII HOUSEHOLDS (THOUSANDS)	413	419	419	420	421	422	423	,,,,
2 HAWAII BUSINESSES (THOUSANDS)	30	30	30	30	30	30	30	424
3 CABLE TELEVISION SUBSCRIBERS (THOUSANDS)	384	384	384	385	386	387	388	30
4 CABLE TELEVISION COMPANIES	1	1	1	1	1	1	1	389
5 PEG ACCESS ORGANIZATIONS		4	4	4	4	4	4	1 4
PROGRAM ACTIVITIES								
1 # POL & STDS PROCEEDINGS FOR CABLE COM SVCS (CCS)	1	2	•	•	_			
2 # OF CATY APPLICATIONS REVIEWED BY CATY	Ô	0	2 1	2	2	2	2	2
3 # INSP, INVSTGN, COMPL REVIEWS BEGUN/ENDED BY CATY	12	12	12	1	1	1	1	1
4 # TESTMNS REL TO CABLE COM TO LEG, CONG, GOVT AGEN	10	10	10	12	12	12	12	12
5 # MTGS ON DEV, CONST, USE OF FACIL REL TO CCS	4	4	4	10	10	10	10	10
6 # OF COMPLAINTS AND INQUIRIES RECEIVED	210	210	210	4	4	4	4	4
7 # RATE FILINGS RECEIVED AND EXAMINED BY CATY	14	14	8	210	210	210	210	210
8 # OF INET PROJ REQUESTS RECEIVED/PROCESSED	28	48	48	. 8	. 8	8	8	8
9 # OF PEG ACCESS RELATED ACTIVITIES	230	230	230	48 230	48 230	48 230	48 230	48 230
PROGRAM REVENUES BY TYPE (IN THOUSANDS OF DOLLARS):							250	230
TAXES								
LICENSES, PERMITS AND FEES	1 2/2							
REVENUES FROM THE USE OF MONEY AND PROPERTY	1,340	1,373	1,400	1,430	1,460	1,460	1,460	1,460
REVENUE FROM OTHER AGENCIES: FEDERAL	52	24	20	20	20	20	20	20
ALL OTHER CHARGES FOR CURRENT SERVICES								
FINES, FORFEITS AND PENALTIES								
NON-REVENUE RECEIPTS		950						
TOTAL PROGRAM REVENUES	1,392	2,347	1,420	1 450	1 (00			
BROCKAM REVENUES BY FIND TO MIXCH REPOSTTER (THE THREE PARTY	,	2,51	1,420	1,450	1,480	1,480	1,480	1,480
PROGRAM REVENUES BY FUND TO WHICH DEPOSITED (IN THOUSANDS (OF DOLLARS):							
GENERAL FUND		950						
SPECIAL FUNDS	1,392	1,397	1,420	1,450	1,480	1,480	1,480	1,480
TOTAL PROGRAM REVENUES	1,392	2,347	1,420	1,450	1,480	1,480	1,480	1,480

A. Statement of Program Objectives

To foster the development of responsive and reliable cable television communications services for the people of Hawaii, by promoting the public interest in authorizations by the State regarding cable television franchises; regulate basic cable television rates and service to ensure compliance with applicable State and Federal law; expand and operate the Statewide Institutional Network ("INET"); and continue the availability of Public, Education and Government ("PEG") cable access.

B. Description of Request and Compliance with §37-68(1)(A)(B)

- 1. Add funding for fringe rate increase. Funding is needed because the fringe rate estimate for FB 2005-07 is 40% and the base budget includes fringe at a lower rate.
- 2. Include funding currently appropriated by Act 179/03 for central services assessment ("CSA"). Funding is needed because the CSA is a recurring cost and funding for this cost is currently separate from the budget act.

C. Description of Activities Performed

- 1. Franchising is the single most important tool by which the division can determine and build in requirements for quality services. This applies to new franchises, franchise renewals and transfers of franchises.
- 2. Technical inspections and reporting requirements are important means by which quality cable communications services can be assured. We continue to enforce and monitor.
- 3. Long range planning can enhance the division's ability to identify new and improved services, future community needs and interests and enhancing technologies.

- 4. Support for PEG access promotes diversity of programming.
- 5. Monitoring complaint responses and complaint resolution ensure improved consumer service.

D. Statement of Key Policies Pursued

- 1. To continue the policy of greater access to cable service to the extent possible in light of topography and economics.
- 2. To meet community needs and interests by encouraging the continued accessibility of local educational, governmental and public programming to all cable systems.
- 3. To promote a coordinated approach to planning the State's future cable communication infrastructure.
- 4. To use cable communications to bring Hawaii's geographically dispersed communities closer together, and to enrich Hawaii's diverse ethnic and cultural groups.
- 5. To encourage the cable industry to take a significant role in business development and job formation in Hawaii.

E. Identification of Important Program Relationships

1. In cable regulation, federal law and state law must be applied together.

Communications and working relationships with the Federal Communications

Commission and members of Congress will be developed and maintained.

- 2. Education and government institutions are important constituencies of cable regulation due to a federal law promoting access programming. Independent public producers continue to provide input to the division.
- 3. Consumers continue to have high priority in the cable regulatory program.
- 4. Cable operators are large multiple system operators.

F. Description of Major External Trends Affecting the Program

Rate regulation by the State has been limited to ensure compliance with Federal standards. The Cable Communications Policy Act of 1984, Television Consumer Protection and Competition Act of 1992 and the Telecommunications Act of 1996 continue to spawn much litigation and uncertainty in cable regulation and changes in the implementation of these laws. The Telecommunications Act of 1996 also allows cable operators to develop advanced informational services as well as entry into local telephone and telecommunications markets, and allows telecommunication providers to enter the cable market. These new services and market entrants will provide additional challenges to the Division. There is some developing competition by DBS providers.

G. Discussion of Cost, Effectiveness, and Program Size Data

There are no significant discrepancies between planned cost, effectiveness, and program size and those achieved.

H. Discussion of Program Revenue

Program revenue is derived from annual fees assessed to franchised cable operators.

I. Summary of Analysis Performed

There are no major or substantial changes to the program's objectives and activities.

J. Further Considerations

The State needs to retain flexibility due to rapid developments in both technology and the law. At the same time, it is in the public interest to closely coordinate all communications planning through specific programs that take advantage of what each new technology has to offer.

REPORT P61-A

PROGRAM ID:

CCA103

PROGRAM STRUCTURE NO. 10010302

PROGRAM TITLE:

CONSUMER ADVOCATE FOR COMM, UTIL & TRAN

					THOUSANDS				
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES	23.00* 1,091,541 1,084,490	46.00* 3,032,034 1,915,640	23.00* 1,634,280 957,820	23.00* 1,634,280 957,820	23.0* 1,634 958	23.0* 1,634 958	23.0* 1,634 958	23.0* 1,634 958	
TOTAL OPERATING COST	2,176,031	4,947,674	2,592,100	2,592,100	2,592	2,592	2,592	2,592	
BY MEANS OF FINANCING	22.00	22 22:	32 00 11	20.00		22.24		22.04	
SPECIAL FUND	23.00* 2,176,031	23.00* 2,473,837	23.00* 2,592,100	23.00* 2,592,100	23.0* 2,592	23.0* 2,592	23.0* 2,592	23.0* 2,592	
INTERDEPT. TRANSFER	*	23.00* 2,473,837	*	*	*	*	*	*	
TOTAL POSITIONS	23.00*	46.00*	23.00*	23.00*	23.00*	23.00*	23.00*	23.00*	
TOTAL PROGRAM COST	2,176,031	4,947,674	2,592,100	2,592,100	2,592	2,592	2,592 ======	2,592	

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID:

CCA-103

PROGRAM STRUCTURE NO: 10010302

PROGRAM TITLE:

CONSUMER ADVOCATE FOR COMM, UTIL & TRAN

		FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
MEASU	RES OF EFFECTIVENESS								
	AV% DEC ON UTIL & TRANP AGREE H/DIV RECOMMENDATHS	100	80	80	80	80	80	80	80
	CONSUMER SAVINGS DUE TO DCA PARTICIPATION (000's) % DEADLINES MET	1328	5000	20000	5000	5000	5000	5000	5000
	# OF WEB PAGE HITS	100 6500	100 7000	100 8000	100 9000	100	100	100	100
	# CORRESPONDENCE/PHONE CONTACTS (EDUC/OUTREACH)	NA NA	250	250	250	10000 250	10000 250	10000 250	10000
	% RENEWABLE ENERGY/FOSSIL FUEL USE	8.4	8.4	8.3	8.9	8.9	9.4	9.5	250 9.6
PROGR	AM TARGET GROUPS	•							
1	DE FACTO POPULATION IN HAMAII (000'S)	1378	1407	1423	1440	1456	1473	1490	1508
2	# OF RESIDENTIAL ELECTRICAL METERS (000'S)	387	395	399	403	408	412	416	420
3	# OF NON-RESIDENTIAL USERS (OOO'S)	58	60	62	64	66	68	70	72
	# ELECTRIC PUBLIC UTIL REGULATED BY PUC	4	4	4	4	4	4	4	4
	# SUPPLIERS OF ELEC ENERGY TO ELEC PUB UTILS	22	23	25	30	30	30	30	30
	# TELECOM COMMON CAR (FED & ST LIC) OPER IN HI	211	225	240	254	270	286	303	321
8	# PIPD GAS, MATR, WAST WATR PUB UTIL REG BY PUC #PROP MOTOR CARRIERS HLDG CERT PUBLC CONV & NESSTY	35	37	39	41	43	45	48	50
9	# PASS CARRIERS HLDG CERT PUBLC CONV & NESSTY	392 568	400	408	416	424	433	442	450
	# WATER CARRIERS REGULATED BY PUC	3	575 4	586 4	598 4	610 4	622 4	635 4	648 4
PROGR	AM ACTIVITIES								
1	# OF UTILITY GENERAL RATE APPL REVIEWED BY DIV	6	5	5	5	5	5	_	_
2		144	144	100	100	100	100	5 100	5 100
3	# OF NON-RATE APPL BY UTIL COMP REV BY DCA	129	129	130	130	130	130	130	130
4	The second secon	2	2	2	2	2	2	2	2
	# RULE-MKG PROC/GENERIC DCKTS PARTIC IN BY DIV	15	12	12	12	12	12	12	12
6	# OF EVENTS ATTENDED (EDUC/OUTREACH)	NA	24	24	24	24	24	24	24
PROGR	MAM REVENUES BY TYPE (IN THOUSANDS OF DOLLARS):								
	XES CENSES, PERMITS AND FEES								
	EVENUES FROM THE USE OF MONEY AND PROPERTY	64	38	30	30	20			
	YENUE FROM OTHER AGENCIES: FEDERAL	04	30	30	30	30	30	30	30
C.	ALL OTHER								
	ARGES FOR CURRENT SERVICES								
	NES, FORFEITS AND PENALTIES DN-REVENUE RECEIPTS	2 446	0 (7)	0.500					
***	W REVEROE RECEIFIS	2,446	2,674	2,500	2,500	2,500	2,500	2,500	2,500
	TOTAL PROGRAM REVENUES	2,510	2,712	2,530	2,530	2,530	2,530	2,530	2,530
PROGR	RAM REVENUES BY FUND TO WHICH DEPOSITED (IN THOUSANDS OF	F DOLLARS):							
	NERAL FUND		200						
SF	PECIAL FUNDS	2,510	2,511	2,530	2,530	2,530	2,530	2,530	2,530
	TOTAL PROGRAM REVENUES	2,510	2,711	2,530	2,530	2,530	2,530	2,530	2,530

A. Statement of Program Objectives

Through advocacy, education, and long range planning, to ensure sustainable, reliable, safe, and quality communications, utility and transportation services at fair cost for Hawaii's consumers for the short and long term

B. <u>Description of Request and Compliance with §37-68(1)(A)(B)</u>
Add funding for fringe rate increase. Funding is needed because the fringe rate estimate for FB 2005-07 is 40% and the base budget includes fringe at a lower rate.

C. Description of Activities Performed

- 1. The Director and the Division staff advocate positions on behalf of consumers of utility and transportation services before the State of Hawaii Public Utilities Commission ("PUC"), the Federal Communications Commission ("FCC"), and other federal, state and local agencies. These positions are developed and advocated concerning: (a) Applications for authority to offer new services; (b) Rate and fare proposals; (c) Revenue and earnings requirements of regulated utilities; (d) Financing of equipment, plant, and other facilities, (e) Review of capital improvement projects; (f) Transfers, extensions, and cancellations of permits, franchises, and certificates; (g) Regulations governing regulated industries; (h) Formulation of policies and long range planning for telecommunications and energy utilities; and (i) Service quality.
- 2. Compliance investigations are conducted regarding the adequacy and efficiency of utility services.
- 3. Education of consumers through web site, newsletters, sponsored events, and attendance at trade-shows, fairs, business and community meetings, etc.

D. Statement of Key Policies Pursued

- 1. Ensure robust energy and telecommunications infrastructures. This program is highly proactive in implementing the objectives and policies for both energy and telecommunications systems stated in the Hawaii State Planning Act, HRS, §226-18 and 18.5, respectively. The program advances the public interest by advocating for dependable, efficient and reasonably priced telecommunications and energy systems.
- 2. <u>Provide jobs; stabilize and diversify Hawaii's economy.</u> The program endeavors to ensure that high quality utility and transportation services are available to all businesses and customers at reasonable rates.
- 3. <u>Maintain a healthy visitor industry.</u> The program provides Hawaii a voice before federal agencies to encourage reasonably-priced telecommunications services to ensure that Hawaii remains competitive with other tourist destinations.
- 4. Educate people about utility matters that affect them, how they can be wiser consumers, and how they can more fully participate in the regulatory process. Encourage consumers to play a more active role in moving our state's energy and other utility policies forward.

E. Identification of Important Program Relationships

1. Federal utility and telecommunications policies should be consistent with components of the Hawaii State Plan. However, Hawaii's uniqueness may, at times, require exemption from federal policies in selected areas.

- 2. Because the PUC must make fact-based findings and determinations, this Program provides the PUC with fact-based recommendations consistent with administrative initiatives and the interests of consumers.
- 3. At the county level, consumers demand low-cost quality barge and motor carrier services, and reasonably priced electric, gas, and telephone service.
- 4. State and county agencies such as the Department of Health, Department of Business and Economic Development and Tourism, Department of Agriculture, the Public Works Division of the Department of Accounting and General Services, and the Department of Transportation are continually consulted.
- 5. Compliance with environmental requirements may cause higher utility costs, eventually to be borne by the consumers.

F. Description of Major External Trends Affecting the Program

- 1. Movement toward competition in the electric, transportation and telecommunications industries and resulting changes in regulation.
- 2. Changing energy requirements and technological developments in the energy field. Promotion of energy efficiency, rather than consumption, is a dramatic example.
- 3. The growth of wide-spectrum telecommunications is affecting the quality, quantity, and pricing of communication services.
- 4. The adversary system in regulatory proceedings is costly and time-consuming.
- 5. Technological developments in information transmission are re-directing the course of telecommunications.

6. Rapid increase in demand for electric and telecommunications services has caused a commensurate increase in capital improvement projects and rate increase requests.

G. Discussion of Cost, Effectiveness, and Program Size Data

- 1. The program has changed its area of emphasis and the methods in which it carries out the Program directives. The program has reduced emphasis in some areas of responsibility and focused more on energy and telecommunications.
- 2. The program has fifteen of twenty-three positions filled, and currently must rely upon consultant services where the size, scope, and sophistication of the problems confronting consumers require specialized expertise, in the form of cost-beneficial "services for fee".

H. <u>Discussion of Program Revenue</u>

Not applicable.

I. Summary of Analysis Performed

Four studies analyzed and evaluated the current regulatory program: (1) "Management Audit of the Public Utilities Commission and the Division of Consumer Advocacy (January 2004); (2) "Management Audit of the Public Utilities Program of the State of Hawaii," (February 1989); (3) "Management Study of the Public Utilities Division, Department of Regulatory Agencies and the Public Utilities Commission," (January 1980); and (4) "Management Audit of the Public Utilities Program," (August 1975, three volumes). The Legislative Auditor has made several recommendations affecting the Program.

J. Further Considerations

The Program has implemented some of the recommendations included in the 2004 study.

REPORT P61-A

PROGRAM ID:

CCA104

PROGRAM STRUCTURE NO. 10010303

PROGRAM TITLE:

FINANCIAL INSTITUTION SERVICES

		IN THOUSANDS						
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES	29.00* 1,466,944 272,545	58.00* 3,658,154 649,518	29.00* 2,118,499 324,759	29.00* 2,118,499 324,759	29.0* 2,118 325	29.0* 2,118 325	29.0* 2,118 325	29.0* 2,118 325
TOTAL OPERATING COST	1,739,489	4,307,672	2,443,258	2,443,258	2,443	2,443	2,443	2,443
BY MEANS OF FINANCING	*	29.00*	*	.1	. *	*	*	*
GENERAL FUND	•	2,153,836						
SPECIAL FUND	29.00* 1,739,489	29.00* 2,153,836	29.00* 2,443,258	29.00* 2,443,258	29.0* 2,443	29.0* 2,443	29.0* 2,443	29.0* 2,443
TOTAL POSITIONS	29.00*	58.00*			29.00*	29.00*	29.00*	29.00*
TOTAL PROGRAM COST	1,739,489	4,307,672	2,443,258	2,443,258	2,443	2,443 ======	2,443	2,443 =======

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID:

CCA-104

PROGRAM STRUCTURE NO: 10010303

PROGRAM TITLE:

FINANCIAL INSTITUTION SERVICES

	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
MEASURES OF EFFECTIVENESS								
1 % INST EXAMNO IN TIMELY MANNER PURS TO STAT, RULES 2 %COMPL FIN INST APPL PROC TIMELY & PURS TO STAT	80 93 87	90 95 85						
3 % WRITTEN INQS REVIEWED/PROCESSED W/IN 30 DAYS 4 % LIC RENWLS REVIEW/PROC TIMELY, PURS TO STDS 5 % AUDITED FIN STMTS REVIEWED W/IN 30 DAYS	100 71	95 95						
PROGRAM TARGET GROUPS								
1 DE FACTO POPULATION IN HAMAII (000) 2 FIN INST, BRANCHES & OTHER OFFICES REGULATED	1378 368	1407 369	1423 367	1440 367	1456 367	1473 367	1490 367	1508 367
PROGRAM ACTIVITIES								
1 # FIN INST BRANCHES & OTHER OFFICES EXAMINED 2 # OF APPLICS OF FINAN INSTS REVIEWED 3 # OF WRITTEN INQUIRIES RECEIVED	233 69 217	260 70 190	250 80 195	250 80 195	250 80 195	250 80 195	250 80 195	250 80 195
4 # OF LICENSES RENEMED 5 # AUDITED FIN STATEMENTS RECEIVED FOR REVIEW 6 # OF WRITTEN COMPLAINTS RECEIVED	149 17 90	157 16 90	167 17 85	167 17 85	167 17 85	167 17 85	167 17 85	167 17 85
7 # OF TELEPHONE/WALK-IN INQUIRIES RECEIVED	4101	4100	4100	4100	4100	4100	4100	4100
PROGRAM REVENUES BY TYPE (IN THOUSANDS OF DOLLARS):								
TAXES LICENSES, PERMITS AND FEES REVENUES FROM THE USE OF MONEY AND PROPERTY REVENUE FROM OTHER AGENCIES: FEDERAL	2,000 10 72	2,000 8 35						
ALL OTHER CHARGES FOR CURRENT SERVICES FINES, FORFEITS AND PENALTIES	154	71	313	338	335	335	335	335
NON-REVENUE RECEIPTS		950						
TOTAL PROGRAM REVENUES PROGRAM REVENUES BY FUND TO WHICH DEPOSITED (IN THOUSANDS	2,236 OF DOLLARS):	3,064	2,356	2,381	2,378	2,378	2,378	2,378
SPECIAL FUNDS GENERAL FUND	2,236	2,114 950	2,356	2,381	2,378	2,378	2,378	2,378
TOTAL PROGRAM REVENUES	2,236	3,064	2,356	2,381	2,378	2,378	2,378	2,378

A. Statement of Program Objectives

To ensure the safety and soundness of state-chartered and state-licensed financial institutions by fairly administering applicable statutes and rules in order to protect the rights and funds of depositors, borrowers, consumers, and other members of the community and to supervise escrow depositories.

B. Description of Request and Compliance with §37-68(1)(A)(B)

Add funding for fringe rate increase. Funding is needed because the fringe rate estimate for FB 2005-07 is 40% and the base budget includes fringe at a lower rate.

C. Description of Activities Performed

The Division is responsible for the licensure, examination and supervision of state-chartered banks, trust companies, savings and loan associations, financial services loan companies, credit unions, and escrow depository companies.

D. Statement of Key Policies Pursued

The Division's greatest challenge is to be responsive to changes in the financial services industry. This is accomplished through: (1) ensuring that the Division's laws, rules, policies, procedures and resources enable the Division to effectively and efficiently regulate and supervise the financial services industry, and (2) maintaining a work force that is highly skilled and effective through continuous and on-going training.

E. Identification of Important Program Relationships

Cooperation among federal and state financial regulators will be required to achieve the goal of maintaining public confidence in the financial system. It is more important than ever to promote uniformity, consistency and cooperation among the regulators, especially with the advent of interstate banking and branching, internet banking, and implementation of the federal financial modernization laws, e.g., Gramm-Leach-Bliley Financial Services Modernization Act of 1999. A good foundation has been laid for such interaction. Existing laws, policies, and procedures for coordinating the supervision of financial institutions (including the conduct of joint examinations, the coordinated processing of applications, the sharing of confidential supervisory information, and coordinated efforts for enforcement actions) between the federal and state regulatory agencies continue to be reviewed and refined in order to achieve optimal supervisory efficiency for the protection of the public while minimizing the regulatory burdens on the financial services industry.

F. Description of Major External Trends Affecting the Program

Dramatic changes in the financial services industry have been occurring over the last decade, and are expected to continue. The industry has seen increased competition from non-banking entities, the industry has sought expanded powers to enable it to compete, there has been a wave of acquisitions and consolidations and Congress continues to pass major federal legislation impacting the powers, operations, and structure of financial institutions.

Congress passed the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 to authorize interstate banking and branching; the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 to eliminate legal barriers to affiliations among banks and securities firms, insurance companies and other financial services companies and to establish federal standards for financial privacy; the United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 to address terrorism in the aftermath of the September 11 tragedy; the Sarbanes-Oxley Act of 2002 to address corporate

governance issues raised by the Enron and other corporate scandals; the Fair and Accurate Credit Transactions Act of 2003 to address issues related to credit reporting and to combat identity theft; and the Check Clearing for the 21st Century Act in 2003 to facilitate check truncation and electronic check exchanges.

In response to the passage of these laws and the adoption of implementing regulations by various federal agencies, the Division has had to submit legislation to change conflicting or inconsistent State laws relating to interstate banking and branching and foreign banking; adopt supervisory protocols and agreements with other state and federal banking agencies for the cooperation and coordination of regulatory activities; increase coordination and cooperation with other federal and state agencies that serve as the functional regulators of certain financial institution activities; and implement new examination procedures and enhance other program activities to ensure institutions are in compliance with the new laws and regulations.

Further legislation and regulation are expected at the federal level by both Congress and the federal banking agencies. Among issues that still must still be dealt with are implementing the Basel II capital accords and identity theft and credit reporting regulations. Other possible issues that may arise include the merger of the federal bank and thrift charters, the restructuring of the federal banking agencies, the merger of the bank and thrift insurance funds, the restructuring of the deposit insurance system, and the reform of regulation of the Federal Home Loan Bank System and the government sponsored housing agencies.

Homeland security continues to be a critical issue that will require the Division to work closely with the private sector and with law enforcement and other state and federal agencies to protect the financial sector.

Training of the Division's staff will continue to be a high priority. The development and maintenance of a highly skilled and effective work force will be even more essential given the dramatic changes in the financial services industry.

G. Discussion of Cost, Effectiveness, and Program Size Data

In FY 04, and continuing through FY 05, the Division has been able to fill many of its critical and long standing vacancies. Training of the new staff is a priority, especially because of the Division's many senior staff that are expected to retire shortly. Although the number of institutions supervised and licensed by the Division has decreased as consolidation in the industry continues, the Division finds that the complexity of issues it deals with has increased as the financial services industry evolves and as new laws, rules and regulations are enacted.

H. Discussion of Program Revenue

Revenue generated from the current program comes primarily from the franchise tax, annual office fees, application fees, and license fees. Examination fees and examination expenses billed to the financial institutions are also sources of revenue, but are not being collected in FY05 due to adequate reserves in the Compliance Resolution Fund at this time.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

REPORT P61-A

PROGRAM ID:

CCA105

PROGRAM STRUCTURE NO. 10010304

PROGRAM TITLE:

PROFESSIONAL & VOCATIONAL LICENSING

					IN THOUSANDS				
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	
OPERATING COST	61.00*	61.00*	61.00*	61.00*	61.0*	61.0*	61.0*	61.0*	
PERSONAL SERVICES	3,453,665	3,921,775	4,541,540	4,541,540	4,542	4,542	4,542	4,542	
OTHER CURRENT EXPENSES	1,402,522	2,006,632	2,229,162	2,229,162	2,229	2,229	2,229	2,229	
TOTAL OPERATING COST	4,856,187	5,928,407	6,770,702	6,770,702	6,771	6,771	6,771	6,771	
	票有事以表面证据生生生生							22022222	
BY MEANS OF FINANCING				1					
	57.00*	57.00*	57.00*	57.00*	57.0*	57.0*	57.0*	57.0*	
SPECIAL FUND	3,901,173	4,162,712	4,977,855	4,977,855	4,978	4,978	4,978	4,978	
	4.00*	4.00*	4.00*	4.00*	4.0*	4.0*	4.0*	4.0*	
TRUST FUNDS	955,014	1,765,695	1,792,847	1,792,847	1,793	1,793	1,793	1,793	
TOTAL POSITIONS	61.00*	61.00*	61.00*	61.00*	61.00*	61.00*	61.00*	61.00*	
TOTAL PROGRAM COST	4,856,187	5,928,407	6,770,702	6,770,702	6,771	6,771	6,771	6,771	
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PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID:

CCA-105

PROGRAM STRUCTURE NO: 10010304

PROGRAM TITLE:

PROFESSIONAL & VOCATIONAL LICENSING

95 97 90	95 97 90	95 97	95	95	95	
97	97		_	95	95	05
		97			,,,	95
90			97	97	97	97
	, ,	90	90	90	90	90
1407	1423	1440	1456	1473	1490	1508
			267000	267000	267000	267000
						11500 45
	43	43	73	72	49	49
13500	13500	13500	13500	13500	13500	13500
			10900	10900	10900	10900
-						11500
						2200
						45000
						179000
						67557
						103059
						12
41	21	21	21	21	27	27
2 075	2 022	2 220	2 127	. 700		
	,	,	•	,	2,964	2,975
21	03	04	42	23		
1.012	1.069	1.012	1.069	1.012	1.069	1,012
	-,	-,	2,007	1,012	1,007	1,012
1,687	43	546	43	551	43	546
5,771	4,127	4,442	4,291	4,366	4,076	4,533
		•				
4.084	4 084	2 904	4 340	2 015		
			•	,		3,987
1,100	73	970	43	221	43	546
5,771	4,127	4,442	4,291	4,366	4,076	4,533
	267000 11500 45 13500 10900 11500 2200 45000 179000 67557 103059 12 27 2,975 97 1,012 1,687 5,771	267000 267000 11500 11500 45 45 13500 13500 10900 10900 11500 12000 2200 2200 45000 45000 179000 179000 67557 67557 103059 103059 12 12 27 27 2,975 2,932 97 83 1,012 1,069 1,687 43 5,771 4,127	267000 267000 267000 11500 11500 11500 45 45 45 13500 13500 13500 10900 10900 10900 11500 11500 11500 2200 2200 2200 45000 45000 45000 179000 179000 179000 67557 67557 67557 103059 103059 103059 12 12 12 27 27 27 2,975 2,932 2,820 97 83 64 1,012 1,069 1,012 1,687 43 546 5,771 4,127 4,442 4,084 4,084 3,896 587 43 546	267000 267000 267000 267000 267000 11500 11500 11500 11500 45 45 45 45 13500 13500 13500 13500 10900 10900 10900 10900 11500 11500 11500 11500 2200 2200 2200 2200 45000 45000 45000 45000 179000 179000 179000 179000 67557 67557 67557 67557 103059 103059 103059 103059 12 12 12 12 27 27 27 27 2,975 2,932 2,820 3,137 97 83 64 42 1,012 1,069 1,012 1,069 1,687 43 546 43 5,771 4,127 4,442 4,248 587 43 546	267000 267000 267000 267000 267000 267000 11500 11500 11500 11500 11500 11500 11500 11500 11500 45 45 45 45 45 45 45 45 45 45 45 45 45	267000 267000 267000 267000 267000 267000 267000 267000 267000 267000 267000 267000 267000 11500 11500 11500 11500 11500 11500 11500 11500 11500 11500 10900 10900 10900 10900 10900 10900 10900 11500 2200 2000 45000 45000 45000 45000 45000 45000 45000 45000 45000 45000 45000 179000 179000 179000 17900 17900

A. Statement of Program Objectives

To ensure that the individual is provided with professional, vocational, and personal services meeting acceptable standards of quality, equity and dependability by establishing and enforcing appropriate service standards; to regulate activities for the protection, welfare and safety of the participants as well as the public.

B. Description of Request and Compliance with §37-68(1)(A)(B)

- 1. Compliance Resolution Fund ("CRF"): Include funding currently appropriated by Act 209/04 for two temporary exempt positions (1 Admin Assistant and 1 Secretary). Act 209/04 enacted a new licensing program for mental health counselors effective July 1, 2005 and authorized the two temporary exempt positions to implement this program. Inclusion of the two positions in the budget codifies the authorization of these positions by Act 209/04.
- 2. CRF: Add funding for fringe rate increase. Funding is needed because the fringe rate estimate for FB 2005-07 is 40% and the base budget includes fringe at a lower rate.
- 3. CRF: Include funding currently appropriated by Act 179/03 for central services assessment ("CSA"). Funding is needed because the CSA is a recurring cost and funding for this cost is currently separate from the budget act.

C. <u>Description of Activities Performed</u>

The special funded program is responsible for the licensing and regulation of 45 different professions and vocations. It also provides administrative support to 25 regulatory licensing boards and, on behalf of the director of the department, administers 21 regulatory licensing programs.

The trust funds are dedicated to specific statutory purposes to educate the licensees who are the contributors to the fund, or serve as a source of monetary recovery for an injured consumer, or support increased government service demands by licensees. One fund is federally mandated to collect fees on its behalf, with revenues going to the federal agency.

D. Statement of Key Policies Pursued

For both the special and trust funds, clients of the program are to be serviced with quality, equity, dependability, and promptness. Those clients which the program licenses are to be competent so that the consuming public's health, safety and welfare are protected.

E. Identification of Important Program Relationships

The special funded program has equally important relationships with other State agencies, the City and Counties, federal agencies, private sector programs, and national regulatory and licensing bodies. Persons who are licensed by this program may be employees, contractors, service providers of these private and public sector agencies. Consultation and coordination may be necessary in cases where changes in licensing and regulation could have a significant or adverse affect on said agencies.

The trust funds do not necessarily require agency relationships since the beneficiaries of the trust funds are the contributing licensees, or injured consumers, or a federal agency.

F. Description of Major External Trends Affecting the Program

A change in economic conditions could affect the number of persons seeking licensure or renewing licenses. This impacts revenues to the special fund and the trust funds and the program's self-sufficiency. With the recent upturn of the economy, noticeable increases occurred with construction and real estate related professions and vocations. Health related professions continue to increase.

Federal licensing mandates also impact the program, although nothing is pending at this time.

G. Discussion of Cost, Effectiveness, and Program Size Data

For the special fund, the budget is consistent with the program's anticipated expenditures. The programs' prudent spending requires them to have a fund balance at the end of the fiscal year, for carryover purposes. New regulatory programs enacted by the legislature and assigned to this program, as well as general increases in cost for products and services, could increase expenditures, which the budget does not take into account.

For the trust funds, the budget is consistent with the program's planned program of work and anticipated expenditures.

H. Discussion of Program Revenue

For the special fund, all revenues are derived from fees paid by applicants for professional and vocational licenses, and renewing licensees.

Revenues fluctuate, with higher revenues in odd-numbered fiscal years (most attributable to the license renewal cycles).

Past experience has shown that the revenues in the even-numbered fiscal years are not sufficient to support program operations. In order to cope with this fluctuation, it is critical that the program maintain sufficient carryover balances each year to support operations during the even-numbered fiscal years. Without such balances, the

program will be forced to make adjustments to match the high-low revenue fluctuations, including but not limited to reducing expenditures at the expense of reducing services to clients, or increasing fees.

Prior to the start of self-sufficiency in July 1994, the program was cut back to basic services to implement General Fund austerity measures. Even with the advent of self-sufficiency, the program did not seek any fee increases and continues its cost control measures to maintain that level of services in spite of rising operational costs. The decision not to raise fees was made to help licensees through the recent economic recession. However, it is becoming increasingly difficult to maintain this position in the fact of rising operational costs. Any further cost-cutting measures could adversely affect the level of services provided.

For the trust funds, revenues are derived from trust fund fees paid in initial license and/or at renewal. Estimation of revenues is based on past trending and other planned program of work, estimation of recovery fund payouts to consumers from the applicable fund(s). External considerations, such as the effect of economic conditions, also impacts revenues.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL EXPENDITURES

PROGRAM ID:

CCA106

PROGRAM STRUCTURE NO. 10010306

PROGRAM TITLE: INSURANCE REGULATORY SERVICES

					THOUSANDS				
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES	76.00* 3,751,526 5,594,314	152.00* 8,505,936 8,875,700	76.00* 4,946,929 6,470,150	76.00* 4,946,929 6,271,810	76.0* 4,947 6,272	76.0* 4,947 6,272	76.0* 4,947 6,272	76.0* 4,947 6,272	
TOTAL OPERATING COST	9,345,840	17,381,636	11,417,079	11,218,739	11,219	11,219	11,219	11,219	
BY MEANS OF FINANCING				1					
GENERAL FUND	*	76.00* 7,315,818	*	*	*	*	*	*	
SPECIAL FUND TRUST FUNDS	76.00* 9,271,377 74,463	76.00* 9,865,818 200,000	76.00* 11,217,079 200,000	76.00* 11,018,739 200,000	76.0* 11,019 200	76.0* 11,019 200	76.0* 11,019 200	76.0* 11,019 200	
TOTAL POSITIONS TOTAL PROGRAM COST	76.00* 9,345,840	152.00* 17,381,636	76.00* 11,417,079	76.00* 11,218,739	76.00* 11,219	76.00* 11,219	76.00* 11,219	76.00* 11,219	

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID:

CCA-106

PROGRAM STRUCTURE NO: 10010306

PROGRAM TITLE:

INSURANCE REGULATORY SERVICES

	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
MEASURES OF EFFECTIVENESS					*** *** *** ***			
1 % OF COMPLAINTS RESOLVED HITHIN 90 DAYS	90	90	90	90	90	90	90	90
2 % EXAM WKLD COMPLETED W/IN STAT TIME REQMTS	100	100	100	100	100	100	100	100
3 % RATE/POL FILINGS REVIEWED W/IN STAT TIME REQMTS	90	90	90	90	90	90	90	90
4 % MV INSURANCE FRAUD CASES INDICTED BY STATE	100	100	100	100	100	100	100	100
PROGRAM TARGET GROUPS								
1 DE FACTO POPULATION (000)	1378	1407	1423	1440	1456	1473	1490	1508
2 INSURANCE LICENSES REGULATED BY INSUR DIV	20318	20500	21000	21500	21500	21500	21500	21500
3 MOTOR VEHICLES SUBJECT TO INS REGULATIONS(000)	808	830	860	890	890	890	890	890
PROGRAM ACTIVITIES								
1 # OF INSURER REPTS ANALYZD FOR HJUP RATE MAKING	7300	7300	7300	7300	7300	7300	7300	7300
2 # OF LICENSE APPL, RENEWALS, & UPDATES PROCESSED	125334	125550	126000	126000	126000	126000	126000	126000
3 # OF COMPLAINTS	645	700	700	700	700	700	700	700
4 # OF FRAUD INVESTIGATIONS OPENED	50	50	50	50	50	50	50	50
5 # OF FRAUD CASES FILED	19	20	20	20	20	20	20	20
6 # OF ANNUAL COMPANY FILINGS PROCESSED	3318	3500	3700	3700	3700	3700	3700	3700
7 # OF APPL FOR CERT OF AUTH REVIEWED	51	60	60	60	60	60	60	60
8 # OF EXAMS OF DOMESTIC INS & INS-TYPE ENTITIES 9 #.INSURER & ISSUER RATE & POLICY FILINGS ANALYZED	54	69	70	70	70	70	70	70
10 # OF PREMIUM TAX STATEMENTS FILED	6357 6276	6250 6485	4550 6500	4550 6600	4550 6600	4550 6600	4550 6600	4550 6600
PROGRAM REVENUES BY TYPE (IN THOUSANDS OF DOLLARS):								3300
TAXES	79,477	79,473	79,500	79,600	79,600	79,700	70 700	70 700
LICENSES, PERMITS AND FEES	2,050	2,000	2,000	2,000	2,000	2,000	79,700 2,000	79,700
REVENUES FROM THE USE OF MONEY AND PROPERTY	253	249	249	249	249	249	2,000	2,000 249
REVENUE FROM OTHER AGENCIES: FEDERAL ALL OTHER			,	2.17	**/	247	247	
CHARGES FOR CURRENT SERVICES	5,607	5,482	7,233	7,237	7,239	7,240	7,240	7.240
FINES, FORFEITS AND PENALTIES	79	126	126	126	126	126	126	126
NON-REVENUE RECEIPTS	6,507	6,550	5,500	5,500	5,500	5,580	5,600	5,600
TOTAL PROGRAM REVENUES	93,973	93,880	94,608	94,712	94,714	94,895	94,915	94,915
PROGRAM REVENUES BY FUND TO WHICH DEPOSITED (IN THOUSANDS O	F DOLLARS):							
GENERAL FUND	84,520	84,350	83,300	83,300	83,300	83,380	83.400	83,400
ALL OTHER FUNDS	132	203	203	203	203	203	203	203
SPECIAL FUNDS	9,321	9,328	11,105	11,209	11,211	11,312	11,312	11,312
TOTAL PROGRAM REVENUES	93,973	93,881	94,608	94,712	94,714	94,895	94,915	94,915

A. Statement of Program Objectives

To ensure that consumers are provided with insurance services meeting acceptable standards of quality, equity, and dependability at fair rates by establishing and enforcing appropriate service standards and fairly administering the Insurance Code.

B. Description of Request and Compliance with §37-68(1)(A)(B)

- 1. Compliance Resolution Fund ("CRF"): Add funding for fringe rate increase. Funding is needed because the fringe rate estimate for FB 2005-07 is 40% and the base budget includes fringe at a lower rate.
- 2. CRF: Include funding currently appropriated by Act 179/03 for central services assessment ("CSA"). Funding is needed because the CSA is a recurring cost and funding for this cost is currently separate from the budget act.
- 3. Drivers Education Fund (*fund is a pass through): Increase funding for transfer of fees collected from motor vehicle insurance companies to the Judiciary Branch, the Department of Transportation ("DOT"), and the Department of Education ("DOE") pursuant to statute. Funding is needed to transfer-out the estimated fund balance at the end of the current biennium and the estimated fund revenues of the upcoming biennium.
- 4. Captive Insurance Administrative Fund: Decrease funding for CSA. Request is needed to reflect the estimated expense.

C. Description of Activities Performed

The program is responsible for the regulatory oversight of the insurance industry. The major activities are: (1) analysis of approval or disapproval of policies and rate filings; (2) review of insurance entities financial, operating and tax statements; (3) field examinations of insurers, health maintenance organizations, rating organizations, mutual

and fraternal benefit societies, advisory organizations, agencies, independent claims organizations, guaranty associations; (4) qualification examinations and licensing insurers, health maintenance organizations and all categories of producers to transact insurance; (5) administration of the Hawaii Joint Underwriting Plan, including the development and promulgation of motor vehicle insurance rates, (6) investigation of complaints by the public on alleged violations of insurance statutes and rules and other consumer request for assistance; (7) investigation of violations and enforcement of motor vehicle claims fraud law; (8) regulatory surveillance for market conduct and financial condition of all insurers, health maintenance organizations, and mutual and fraternal benefit societies for compliance with insurance laws, and (9) licensing, examination and regulatory oversight of the captive insurance companies and development of the captive industry in Hawaii.

D. Statement of Key Policies Pursued

Implementing the State Plan on Individual Rights by assuring the public of the broadest possible insurance coverages and benefits commensurate with reasonable rates from competent insurers and producers; by monitoring the financial solvency of licensed insurance companies to assure the insurers' ability to pay claims; enforcing all laws and regulations; and improving the level of voluntary compliance by the industry and public.

E. Identification of Important Program Relationships

The Director of the Commerce and Consumer Affairs has tasked the Division to provide staff support services in the administration of Chapter 448D, HRS, Dental Service Organizations; Chapter 488, HRS, Prepaid Legal Services; and Act 232, §5, SLH 1984, Patients' Compensation Fund.

F. Description of Major External Trends Affecting the Program

- 1. The Financial Services Modernization Act (Gramm-Leach-Bliley Act) passed by Congress and enacted in 1999 eliminated many of the barriers between banking, securities and insurance; it allowed banks to sell insurance and insurance companies to perform banking functions. The Act also mandated that a majority of states create uniform or reciprocal agent licensing law by Nov. 15, 2002.
- 2. Today, Congress is still looking at state-based insurance regulation and is considering additional federal oversight and has proposed the State Modernization and Regulatory Transparency Act (SMART).
- 3. The effect of worldwide catastrophic events, natural or man-made, such as the recent Florida hurricanes, impacts property insurance by affecting the reinsurance market.
- 4. Increasing sophistication of insurance buyers and unstable commercial insurance market conditions continue to create strong demand for captive insurance alternatives for the public and private sector organizations' national and international risks.

G. Discussion of Cost, Effectiveness, and Program Size Data

- 1. The Financial Surveillance and Examination Branch completed 100% of the examination of insurers within the statutory time frame in the last fiscal year. Twenty domestic insurers, sixteen risk retention groups, six health maintenance organizations, and six mutual benefit societies are examined at least once every three years.
- 2. The Compliance and Enforcement Branch investigators resolved approximately 90% of consumers and industry (excluding cases referred for formal resolutions by administrative hearings) in 90 days in the last fiscal year. The Branch averages about 600 complaints annually.
- 3. The Rate and Policy Analysis Branch completed 90% of forms and rate filings reviews within the statutory time requirements in the last fiscal year. Annually, approximately 6,000 forms and rate filings are analyzed.

- 4. The Licensing Branch maintains the licensing database for over 20,420 licensees. The Branch oversees and collects the renewal fees annually from all licensees, issues new licenses, updates the database for changes made by licensees. The Branch maintains the on-line features, which includes "insurance licensee search"; downloading licensing forms, fee schedules and information for various licenses; tracking of licensee's Continuing Education credits; and an option to pay renewal fees on-line.
- 5. The Captive Branch licensed 50 new companies since the last biennium, increasing the current total to 150. The aggregate total of the licensed captives' assets, premiums and investments held in Hawaii financial institutions have exceeded that of Hawaii's 20 domestic commercial insurers. The Branch operation cost is approximately \$500,000 each year, which is anticipated to increase as the number of licensed captive companies increases.
- 6. The Motor Vehicle Fraud Branch opened 50 new investigations and obtained indictments on 100% of their fraud cases presented to grand jury in the last fiscal year.

H. Discussion of Program Revenue

- 1. The program collected \$78.1 million of insurance premium taxes for deposit into the general fund in FY 2003-04.
- 2. The program's operating expenditures are paid from the CRF. The CRF revenue sources are licensing fees, fines, penalties, reimbursements, assessments and cash transfers from the CIAF to cover the budget program's appropriation.
- 3. The CIAF was created to fund the regulatory and development activities of the Captive Branch. The CIAF revenue sources are captive related premium taxes and fees.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations None.

OPERATING AND CAPITAL EXPENDITURES

PROGRAM ID:

CCA110

PROGRAM STRUCTURE NO. 10010401

PROGRAM TITLE:

OFFICE OF CONSUMER PROTECTION

	IN DOLLARS				IN THOUSANDS				
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES	16.00* 876,169 67,889	32.00* 2,324,074 423,501	16.00* 1,285,561 252,591	16.00* 1,285,561 252,591	16.0* 1,285 253	16.0* 1,285 253	16.0* 1,285 253	16.0* 1,285 253	
TOTAL OPERATING COST	944,058	2,747,575	1,538,152	1,538,152	1,538	1,538	1,538	1,538	
BY MEANS OF FINANCING				!					
GENERAL FUND	*	16.00* 1,348,447	*	*	*	*	*	*	
SPECIAL FUND TRUST FUNDS	16.00* 942,761 1,297	16.00* 1,348,447 50,681	16.00* 1,487,471 50,681	16.00* 1,487,471 50,681	16.0* 1,487 51	16.0* 1,487 51	16.0* 1,487 51	16.0* 1,487 51	
TOTAL POSITIONS TOTAL PROGRAM COST	16.00* 944,058	32.00* 2,747,575	16.00* 1,538,152	16.00* 1,538,152	16.00* 1,538	16.00* 1,538	16.00* 1,538	16.00* 1,538	

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID: CCA-110
PROGRAM STRUCTURE NO: 10010401

PROGRAM TITLE:

OFFICE OF CONSUMER PROTECTION

	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
MEASURES OF EFFECTIVENESS			the case and the sale sale sale					
1 # CONSUMERS DIRECTLY AFFECTED BY OFFICE ACTN (000) 2 # BUSINESSES DIRECTLY AFFECTED BY OFFICE INVSTGTNS 3 \$ AMT OF FINES ASSESSED OR COSTS IMPOSED (000'S) 4 # DISPUTES HANDLED THRU ALT DISPUTE RESOLUTION	3164 1210 1388 100	31 1000 2000 100	31 1100 2000 100	31 1100 2000 100	31 1100 2000 100	31 1100 2000 100	31 1100 2000 100	31 1100 2000 100
PROGRAM TARGET GROUPS								
1 RESIDENT STATE POPULATION (000) 2 VISITORS TO HAMAII (000)	1257 6620	1300 6620	1300 6600	1300 6600	1300 6600	1300 6600	1300 6600	1300 6600
PROGRAM ACTIVITIES								
1 # OF CONSUMER COMPLAINTS REC (EXCL LANDLD/TENANT) 2 # OF COMPLAINTS INITIATED BY OCP 3 # OF LANDLORD/TENANT DISPUTES PROCESSED. 4 # OF COMPLATS RESOLVED AT INVESTIGATIVE LEVEL 5 # OF LEGAL ACTIONS 6 # INQ RECVD ON BUSINESS COMPLAINT HISTORIES 7 # PERSONS REACHED THRU EDUCATIONAL EFFORTS 8 # LEG PROP FOR WHICH OCP PROVIDED TESTIMONY PROGRAM REVENUES BY TYPE (IN THOUSANDS OF DOLLARS):	1485 57 10695 780 17 6254 5000	1400 100 11000 800 24 7000 5000	1400 60 11000 700 20 7000 5000	1400 60 11000 700 20 7000 5000	1400 60 11000 700 20 7000 5000	1400 60 11000 700 20 7000 5000	1400 60 11000 700 20 7000 5000	1400 60 11000 700 20 7000 5000
TAXES LICENSES, PERMITS AND FEES REVENUES FROM THE USE OF MONEY AND PROPERTY REVENUE FROM OTHER AGENCIES: FEDERAL	35	16	10	10	. 10	10	10	10
ALL OTHER CHARGES FOR CURRENT SERVICES FINES, FORFEITS AND PENALTIES NON-REVENUE RECEIPTS	2 87	2 300	300	300	300	300	300	300
TOTAL PROGRAM REVENUES	124	318	310	310	310	310	310	310
PROGRAM REVENUES BY FUND TO WHICH DEPOSITED (IN THOUSANDS O	F DOLLARS):							
SPECIAL FUNDS	124	318	310	310	310	310	310	310
TOTAL PROGRAM REVENUES	124	318	310	310	310	310	310	310

A. Statement of Program Objectives

To protect the public interest by investigating alleged violations of consumer protection laws, taking legal action to stop unfair or deceptive trade practices in the marketplace, and assisting in educating the public and businesses concerning their respective legal rights and obligations in the marketplace.

B. Description of Request and Compliance with §37-68(1)(A)(B)

- 1. Add funding for fringe rate increase. Funding is needed because the fringe rate estimate for FB 2005-07 is 40% and the base budget includes fringe at a lower rate.
- 2. Include funding currently appropriated by Act 179/03 for central services assessment ("CSA"). Funding is needed because the CSA is a recurring cost and funding for this cost is currently separate from the budget act.

C. Description of Activities Performed

Investigation of Complaints. Receive all complaints on a statewide basis: walk-ins, mail and telephone; evaluate complaints in relation to investigation threshold criteria, for cases meeting threshold requirements; determine all facts of complaint; determine from facts whether or not there is a violation of any consumer protection law; refer cases which, on their face, fall within the jurisdiction of another agency; inform complainant of findings of fact and course of action to be taken, if any, by this office or another governmental agency; coordinate fact finding functions with other governmental agencies; monitor advertisements; subpoena witnesses for investigation of facts; conduct investigative public hearings to determine if there is any violation of consumer protections law.

Landlord-Tenant Cases. Provide Landlord-Tenant code information to callers.

<u>Prosecution.</u> Determine adequacy of evidence to prove violation prior to filing a complaint in court; negotiate Assurance of Voluntary Compliance or Consent Judgment prior to the filing of a complaint in court; take court action against business entity which has violated consumer protection law; obtain injunction, civil penalty and restitution for consumers in court actions and settlement of cases.

<u>Legislation.</u> Promulgate rules and regulations to protect consumers; draft consumer protection legislation for the Department; recommend consumer protection legislation to the Legislature; and offer testimony on other consumer protection legislation.

D. Statement of Key Policies Pursued

To protect the interests of both the consumer public and legitimate businesses by investigating alleged violations of consumer protections laws; taking legal action to stop unfair or deceptive practices in the marketplace; proposing, drafting or responding to consumer-related legislation and contributing to the Department's efforts in educating the consumer public and businesses of their respective legal rights and obligations in the marketplace; to promote voluntary compliance with consumer-related laws by the business community; to enforce consumer protection laws within the Division's jurisdiction; and to promote and to assist in the formation of consumer education groups and programs.

These policies will further the stated objectives of the State Plan on Individual Rights.

E. Identification of Important Program Relationships

Important program relationships are maintained with the National Association of Attorneys General, the Federal Trade Commission, the U.S. Consumer Product Safety

Commission, the State Attorney General, various divisions of the Department, and various county police departments and prosecuting attorneys.

F. Description of Major External Trends Affecting the Program

State and Federal consumer protection offices across the country continue to be a strong force in protecting the public from unfair or deceptive trade practices. OCP regularly participates in joint investigations and prosecutions with numerous state and federal agencies, such as, the state attorneys general and the Federal Trade Commission. Close inter-jurisdictional coordination with these external entities has allowed OCP to expand its level of consumer protection without increasing costs.

G. <u>Discussion of Cost, Effectiveness, and Program Size Data</u> None.

H. <u>Discussion of Program Revenue</u>

Not applicable.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

REPORT P61-A

PROGRAM ID:

CCA111

PROGRAM STRUCTURE NO. 10010403

PROGRAM TITLE:

BUSINESS REGISTRATION

		IN THOUSANDS						
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES	68.00* 3,270,014 1,517,551	142.00* 7,459,120 3,496,506	75.00* 4,530,088 1,432,598	75.00* 4,530,088 1,432,598	75.0* 4,530 1,433	75.0* 4,530 1,433	75.0* 4,530 1,433	75.0* 4,530 1,433
TOTAL OPERATING COST	4,787,565	10,955,626	5,962,686	5,962,686	5,963	5,963	5,963	5,963
BY MEANS OF FINANCING								
GENERAL FUND	*	71.00* 5,477,813	*	*	*	*	*	*
SPECIAL FUND	68.00* 4,787,565	71.00* 5,477,813	75.00* 5,962,686	75.00* 5,962,686	75.0* 5,963	75.0* 5,963	75.0* 5,963	75.0* 5,963
TOTAL POSITIONS	68.00*	142.00*	75.00*	75.00*	75.00*	75.00*	75.00*	75.00*
TOTAL PROGRAM COST	4,787,565 ========	10,955,626	5,962,686 ======	5,962,686	5,963	5,963 ======	5,963 ======	5,963

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID:

CCA-111

PROGRAM STRUCTURE NO: 10010403

PROGRAM TITLE:

BUSINESS REGISTRATION

	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
MEASURES OF EFFECTIVENESS								
1 AV DAYS PROC CORP, PART, LLC, TRADE NM W/EXPED HANDLG	1	1	1	1	1	1	1	1
2 AV DAYS PROC CORP, PART, LLC, TRADE NM W/ REG HANDLG	3	3	3	3	3	3	3	3
3 AV DAYS TO PROCESS APPLICS FOR BROKER/DEALERS	30	30	30	25	25	25	25	25
4 AV DAYS TO PROCESS APPLICS FOR SALESPERSONS	15	15	15	15	15	15	15	15
5 AV DAYS TO PROCESS APPLICS FOR INVESTMT ADVISERS	30	30	30	30	30	30	30	30
6 AV DAYS TO PROCESS APPLICS FOR INV ADV REPS	15	15	15	15	15	15	15	15
7 AVG AGE OF CASES PENDING IN INVESTIGATIONS SECTION	836	640	640	640	550	550	550	550
8 AVG AGE OF CASES PENDING IN LEGAL SECTION	545	365	365	365	365	365	365	365
9 AVG AGE OF ALL CASES PENDING IN ENFORCEMENT	359	365	365	365	365	365	365	365
PROGRAM TARGET GROUPS								
1 CORP, PART, LLC,TRNAMES, TRMKS.SVC MKS ON REC(000)	117854	120000	125500	126000	126500	127000	127500	128000
2 DLRS, SALES, SEC OFF, FRANCH, INV ADV & REPS ON RECRD	65625	70200	75000	80000	85000	90000	95000	100000
PROGRAM ACTIVITIES								
1 DOCS FOR PROC & ANN REPTS, STMTS SENT OUT BY DRB	60010	58000	55000	50000	42000	30000	30000	30000
2 # SECURITIES COMPLIANCE APPLICATIONS RECEIVED	25629	27000	27000	27000	27000	27000	27000	27000
3 # ENFORCE CASES OPENED FOR INVES &/OR PROSECUTION	58	75	83	91	100	110	121	135
4 # DISCIPLINARY/ENFORCE-RELATED INQUIRIES RECEIVED	2020	2500	2750	3000	3000	3000	3000	3000
5 # OF INVESTIGATIONS CLOSED DURING THE FISCAL YR	26	35	35	35	40	40	40	40
6 # ENFORCEMENT CASES CLOSED DURING THE FISCAL YR	41	30	30	30	35	35	35	35
PROGRAM REVENUES BY TYPE (IN THOUSANDS OF DOLLARS):								
TAXES								
LICENSES, PERMITS AND FEES	2,946	2,806	2,800	2,800	2,800	2,800	2,800	2 000
REVENUES FROM THE USE OF MONEY AND PROPERTY	180	140	176	176	175	175	175	2,800
REVENUE FROM OTHER AGENCIES: FEDERAL ALL OTHER			2.0		117	115	119	175
CHARGES FOR CURRENT SERVICES	4,899	3,876	3,876	3,876	2 07/	2 07/	0.074	
FINES, FORFEITS AND PENALTIES	3,718	300	300	3,676	3,876	3,876	3,876	3,876
NON-REVENUE RECEIPTS	3,110	4,150	300	300	300	300	300	300
TOTAL PROGRAM REVENUES	11,743	11,272	7,152	7,152	7,151	7,151	7,151	7,151
PROGRAM REVENUES BY FUND TO WHICH DEPOSITED (IN THOUSANDS O	F DOLLARS):					·	•	, , , , ,
GENERAL FUND		4,150						
SPECIAL FUNDS	11,743	7,122	7,152	7,152	7,151	7,151	7,151	7,151
TOTAL PROGRAM REVENUES	11,743	11,272	7,152	7,152	7,151	7,151	7,151	7,151

CCA-111 Business Registration

A. Statement of Program Objectives

To ensure that business registration information is fully and accurately maintained regarding the officers and general organization of businesses by providing for the registration of corporations, partnerships, limited liability companies, trade names, trademarks, and service mark, and for the registration and compliance with other statutes administered by the Business Registration Division, such as the State's securities statutes.

B. Description of Request and Compliance with §37-68(1)(A)(B)

Add four permanent exempt positions and other current expenses relating to the proposed transfer of the Business Action Center ("BAC") from DBEDT to DCCA. DCCA supports this transfer in view of the fact that the BAC's function is complementary to that of DCCA, and in particular to this program. This funding is needed to provide for the BAC's budget in this program.

C. Description of Activities Performed

- 1. <u>Corporations, partnerships, trade names, limited liability companies, etc.</u> Determine that all documents filed are in accordance with the law.
- 2. <u>Sales of securities</u>. Examine applications for registration of securities to determine that public offerings of the securities will not be fraudulent, register securities and salespersons, register investment advisers and investment adviser representatives, examine financial reports and records of securities dealers, and conduct investigations and prosecute violations.
- 3. <u>Mergers.</u> Examine applications for registration to determine compliance with applicable statute.

D. Statement of Key Policies Pursued

Implementation of the State Plan for Individual Rights by insuring that:

- 1. All documents filed are examined to determine full compliance with applicable statutory requirements.
- 2. All sales of securities are done in strict compliance with the law by making detailed examinations of applications or registrants, conducting investigations, taking court action against violators, and by sponsoring new legislation to cover new concepts. Every effort is made to resolve consumer complaints and prosecute violators of the Uniform Securities Act.

E. Identification of Important Program Relationships

Relationships are maintained with the United States Securities and Exchange Commission, National Association of Securities Dealers, securities divisions of the different states and provinces of Canada, the Office of Consumer Protection, Attorney General's Office, Department of Taxation, City and County Prosecutor's Office, the International Association of Corporation Administrators, the North American Securities Administrator's Association, Inc., the Federal Bureau of Investigations and the Honolulu Police Department.

F. Description of Major External Trends Affecting the Program

The Division continues to expect growth for information requests through the use of its internet portals and the public viewing area in the King Kalakaua Building. Additionally, securities violations which result in formal action by the Securities

Enforcement Unit on behalf of the Division continue to rise as people in dire economic straits are attracted to various money making schemes.

G. Discussion of Cost, Effectiveness, and Program Size Data

See tables on projected target group size, measures of effectiveness, personnel requirements, and operating costs.

H. Discussion of Program Revenue

The expected workload increase is at least 10% per annum reflecting the improving economic situation facing the State. Revenue is expected to be steady in the next years fees as fee reductions proposed in FY05 will likely offset any increases in the number of filings with the Division. Large settlements received in FY03 to FY05 from Securities & Exchange Commission initiated cases against various investment banks are extraordinary items and future recoveries in these cases are not expected.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

This is a program which will continue to experience work load increases. To cope with the increases, reliance will be placed on improved computer information system implementation and changes in the regulatory requirements. The Division will be working with the community to change the business laws and continuing internal reengineering programs to change documents processing procedures and improve the efficiency of operations.

Launch BAC satellite offices on neighbor islands, commencing with pilot projects in Maui and West Hawaii (FY06). No positions added during pilot phase. Training to be provided by BAC staff, with staffing from Small Business Development Center Network or similar organization or contract basis. Expenses associated with

contracted personnel and equipment. Initial hosting locations at Governor's Liaison Offices subject to confirmation.

PROGRAM ID:

CCA112

PROGRAM STRUCTURE NO. 10010404

PROGRAM TITLE:

REGULATED INDUSTRIES COMPLAINTS OFFICE

							IN THOUSANDS				
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11			
OPERATING COST	17.00*	34.00*	17.00*	17.00*	17.0*	17.0*	17.0*	17.0*			
PERSONAL SERVICES	3,147,662	8,404,088	4.073.971	4,073,971	4,074	4.074	4.074	4,074			
OTHER CURRENT EXPENSES	462,189	1,991,440	967,933	967,933	968	968	968	968			
TOTAL OPERATING COST	3,609,851	10,395,528	5,041,904	5,041,904	5,042	5,042	5,042	5,042			
			# # # # # # # # # # # # #		******						
BY MEANS OF FINANCING				!							
	*	17.00*	*	*	*	*	*	*			
GENERAL FUND		5,197,764		İ							
	17.00*	17.00*	17.00*	17.00*	17.0*	17.0*	17.0*	17.0*			
SPECIAL FUND	3,609,851	5,197,764	5,041,904	5,041,904	5,042	5,042	5,042	5,042			
TOTAL POSITIONS	17.00*	34.00*	17.00*	17.00*	17.00*	17.00*	17.00*	17.00*			
TOTAL PROGRAM COST	3,609,851	10.395.528	5,041,904	5,041,904	5,042	5,042	5.042	5,042			
	=======================================		J,041,704	J,041,704	J, 042		J, 042	9,072			

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID:

CCA-112

PROGRAM STRUCTURE NO: 10010404

PROGRAM TITLE:

REGULATED INDUSTRIES COMPLAINTS OFFICE

	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
MEASURES OF EFFECTIVENESS								
1 #CONSUMERS DIRECTLY AFFECTED BY RICO ACTIONS (000) 2 # BUSINESSES DIRECTLY AFFECTED BY INVESTIGATIONS 3 DOLLAR AMOUNT OF FINES ASSESSED	129 2691 1064546	125 1700 1000000	125 1700 1000000	125 1700 1000000	125 1700 1000000	125 1700 1000000	125 1700 1000000	125 1700 1000000
PROGRAM TARGET GROUPS								
1 DE FACTO POPULATION (THOUSANDS) 2 LICENSEES (THOUSANDS) 3 BOARDS & COMMISSIONS ADMIN ASSIGNED TO DCCA	1378 257 45	1407 267 45	1423 267 45	1440 267 45	1456 267 45	1473 267 45	1490 267 45	1508 267 45
PROGRAM ACTIVITIES								
1 # INQUIRIES RECEIVED BY RICO 2 # COMPLAINTS RECEIVED 3 # LEGAL ACTIONS 4 # COMPLAINT HISTORY INQUIRIES RECEIVED BY RICO 5 # PERSONS REACHED THROUGH EDUCATIONAL EFFORTS 6 # ASSISTS ON DEPT/NON-RICO MATTERS BY NI OFFICES	14617 3839 249 89507 81877 8856	15000 3800 300 89000 85000 8800	15000 3800 300 89000 85000	15000 3800 300 89000 85000	15000 3800 300 89000 85000 8500	15000 3800 300 89000 85000	15000 3800 300 89000 85000 8500	15000 3800 300 89000 85000 8500
PROGRAM REVENUES BY TYPE (IN THOUSANDS OF DOLLARS):								
TAXES LICENSES, PERMITS AND FEES REVENUES FROM THE USE OF MONEY AND PROPERTY REVENUE FROM OTHER AGENCIES: FEDERAL	142	88	95	95	95	95	95	95
ALL OTHER CHARGES FOR CURRENT SERVICES FINES, FORFEITS AND PENALTIES NON-REVENUE RECEIPTS	4,084 336	4,510 225 1,700	3,810 225	4,510 225	3,810 225	4,510 225	3,810 225	4,510 225
TOTAL PROGRAM REVENUES	4,562	6,523	4,130	4,830	4,130	4,830	4,130	4,830
PROGRAM REVENUES BY FUND TO WHICH DEPOSITED (IN THOUSANDS O	F DOLLARS):					ŕ	,,,,,,	.,555
GENERAL FUND		1,700						
ALL OTHER FUNDS	10	10	10	10	10	10	10	••
SPECIAL FUNDS	4,552	4,813	4,120	4,820	4,120	4,820	10 4,120	10 4,820
TOTAL PROGRAM REVENUES	4,562	6,523	4,130	4,830	4,130	4,830	4,130	4,830

A. Statement of Program Objectives

To assist the general public by providing consumer education outreach activities, investigating complaints from the public and enforcing the licensing laws.

B. Description of Request and Compliance with §37-68(1)(A)(B)

- 1. Transfer-out Legal Steno I to the Director's Office. Request is needed to appropriately place the position in the organizational segment where it is needed to carry out critical functions and program objectives.
- 2. Decrease funding for repairs and maintenance. Request is needed to better reflect anticipated costs.

C. Description of Activities Performed

To meet its objective, the Division performs the following functions:

- 1. Intake, investigate, resolve and civilly or administratively prosecute complaints involving professional and vocational licensing law violations.
- 2. Information and referrals, complaints history dissemination, consumer and industry education through brochures, presentations at various physical locations manned statewide and through other participatory functions.
- 3. Administration of the State Certified Arbitration Program, also known as the state lemon law program.

D. Statement of Key Policies Pursued

The Division seeks to implement the State Plan for Individual Rights by providing better protection of consumers' rights and interests through education and resolution of complaints on a timely basis.

E. <u>Identification of Important Program Relationships</u>

The Division assists and maintains contacts with compatible programs in the Departments of Agriculture, Attorney General, Health, Land and Natural Resources, Transportation, Labor and Industrial Relations, State Tax Office, and other agencies of state government.

F. Description of Major External Trends Affecting the Program

Major external trends including national and local trends regarding industry practices, consumerism, and economics affect the program.

G. Discussion of Cost, Effectiveness, and Program Size Data

In FY 04, the program has filled several critical vacancies, which has increased the ability of the program to launch more complex and proactive enforcement initiatives. The additional activity has resulted in slightly higher program expenditures, which has been offset to some extent by recent staff retirements. The program's revenue structure requires that there be a sufficient fund balance each fiscal year, for carryover purposes. New regulatory programs enacted by the legislature and assigned to the program, as well as general increases in costs for products and services, could increase expenditures, which the budget does not take into account.

H. Discussion of Program Revenue

The vast majority of program revenues are derived from compliance resolution fees paid by licensees. These revenues fluctuate, with higher revenues on odd-numbered years due to license renewal cycles. Revenue projections indicate that revenues in even-numbered years will not be sufficient to support program operations. To compensate for this fluctuation, it is important that the program maintain sufficient carryover balances each year to support operations during the even-numbered fiscal years. Without these balances, the program will be forced to further reduce expenditures related to its enforcement activities, or it must increase fees.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL EXPENDITURES

REPORT P61-A

PROGRAM ID:

CCA191

PROGRAM STRUCTURE NO. 100105

PROGRAM TITLE:

GENERAL SUPPORT

		IN DOLLARS					IN THOUSANDS				
PROGRAM EXPENDITURES	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11			
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES	40.00* 2,504,642 1,361,560	80.00* 6,584,206 3,056,678	43.00* 3,343,829 1,528,339	43.00* 3,343,829 1,528,339	43.0* 3,344 1,528	43.0* 3,344 1,528	43.0* 3,344 1,528	43.0* 3,344 1,528			
TOTAL OPERATING COST	3,866,202	9,640,884	4,872,168	4,872,168	4,872	4,872	4,872	4,872			
BY MEANS OF FINANCING				}							
GENERAL FUND	*	40.00* 3,259,445	*	*	*	*	*	*			
SPECIAL FUND	40.00* 3,866,202	40.00* 6,381,439	43.00* 4,872,168	43.00* 4,872,168	43.0* 4,872	43.0* 4,872	43.0* 4,872	43.0* 4,872			
TOTAL POSITIONS	40.00*	80.00*	43.00*	43.00*	43.00*	43.00*	43.00*	43.00*			
TOTAL PROGRAM COST	3,866,202	9,640,884	4,872,168	4,872,168	4,872 ======	4,872	4,872 ======	4,872			

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID: CCA-191
PROGRAM STRUCTURE NO: 100105

PROGRAM TITLE:

GENERAL SUPPORT

	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
MEASURES OF EFFECTIVENESS								
1 %LEG HRGS TO WHICH TIMELY WRITTN TESTMNY SUBMTTD	98	95	95	95	95	95	95	95
2 %COMPLAINTS/INQ RESPONDED TO IN TIMELY MANNER	97	95	95	95	95	95	95	95
3 %REQUESTS FOR SYSTEMS ADDTNS OR ENHANCE FULFILLED	99.12	99	99	99	99	99	99	99
4 %HORK REQUESTS COMPLETED IN REQ TIME	89	85	85	85	85	85	85	85
5 %CASES COMPL W/IN DESIG TIME FOR CONTSTD CASE HRGS	87	85	85	85	85	85	85	85
6 %HRGS OFFCER REC ORDERS ADOPTED BY FINAL ADM AUTH 7 %ADMIN ACTIONS MTNG EST DEADLINES FOR PROC CASES	91 90	90	90	90	90	90	90	90
8 %CASES RESLYD BY HRGS OFF BEFORE END OF HRG PROC	33	90 3 5	90 35	90 35	90 35	90 35	90 35	90 35
PROGRAM TARGET GROUPS								
1 DE FACTO POPULATION IN HAMAII (000)	1378	1407	1423	1440	1456	1473	1490	1508
2 LICENSEES (THOUSANDS)	277	288	288	289	289	289	289	289
3 DCCA DIVISIONS	11	11	11	11	11	11	11	11
4 BOARDS & COMMISSIONS ADMIN ASSIGNED TO DCCA	25	25	25	25	25	25	25	25
5 DCCA EMPLOYEES	291	339	363	384	384	384	384	384
PROGRAM ACTIVITIES								
1 # SYSTEMS ADDED OR ENHANCED	114	78	78	78	78	78	78	78
2 # OF WORK REQUESTS	5129	5797	6465	7133	7801	8469	9137	9805
3 # WRITTN NOTICES ISS BY HRGS OFF RE: PROCED EVENTS	523	450	450	450	450	450	450	450
4 # PRE-HRG EVENTS BY HRG OFF INVOLVG THE PARTIES	471	300	300	300	300	300	300	300
5 # HEARINGS CONDUCTED BY HEARINGS OFFICE	282	250	250	250	250	250	250	250
6 # RECOMMENDED & FINAL ORDERS ISS BY HRGS OFF	301	225	225	225	225	225	225	225
7 # INFO PRESENTNS TO PUBLIC FOR EDUC GUIDANCE		29	29	29	29	29	29	29
PROGRAM REVENUES BY TYPE (IN THOUSANDS OF DOLLARS):								
TAXES								
LICENSES, PERMITS AND FEES REVENUES FROM THE USE OF MONEY AND PROPERTY								
REVENUE FROM OTHER AGENCIES: FEDERAL ALL OTHER	72	35	18	18	17	17	17	17
CHARGES FOR CURRENT SERVICES	21	18	18	18	18	18	18	18
FINES, FORFEITS AND PENALTIES NON-REVENUE RECEIPTS					20	10	10	10
TOTAL PROGRAM REVENUES	93	53	36	36	35	25	25	45
PROGRAM REVENUES BY FUND TO WHICH DEPOSITED (IN THOUSANDS O		93	30	36	39	35	35	35
GENERAL FUND SPECIAL FUNDS	10	7	7	7	7	7	7	7
PLECTAT LOUDS	83	46	29	29	28	28	28	28
TOTAL PROGRAM REVENUES	93	53	36	36	35	35	35	35

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A. Statement of Program Objectives

To uphold fairness and public confidence in the marketplace, promote sound consumer practices, and increase knowledge, opportunity, and justice in our community by enhancing program effectiveness and efficiency.

B. Description of Request and Compliance with §37-68(1)(A)(B)

- 1. Transfer-in Legal Steno I from the Regulated Industries and Complaints Office. Request is needed to appropriately place the position in the organizational segment where it is needed to carry out critical functions and program objectives.
- 2. Convert three positions in the Information Systems Office from temporary to permanent and adjust funding for turnover savings. The job duties for the three positions represent an ongoing need therefore the converting these positions from temporary to permanent represents a more appropriate position classification.

C. Description of Activities Performed

To meet its objective, the Administrative Division is organized into three divisions: Director's Office, Information Systems Office/Communications Office, and the Office of Administrative Hearings.

1. <u>Director's Office</u>. Provides: (1) general policy and administrative leadership, supervision and coordination of the various programs of the Department; (2) assistance in the direction and supervision of operating divisions; (3) centralized budgeting, accounting, personnel management, and organizational analysis support services to operating divisions; and (4) centralized clerical services.

- 2. <u>Information Systems Office/Communications Office</u>. Provides all divisions of DCCA: 1) services to find, acquire, implement and maintain information technology; (2) support for telephone systems, through DAGS-ICSD and the State's telephone service providers, for additions, changes and problems to telephone services. This work includes the maintenance of phone directories for internal and external use; 3) services to enhance and update DCCA's web site; 4) support for Information Line an audio-response, fax-on-demand, computer driven system that contains pre-recorded DCCA contact information, consumer information, consumer alerts, and forms.
- 3. Office of Administrative Hearings. Provides: (1) specialized staff support to all divisions, as well as attached boards/commissions, by conducting pre-hearing conferences and formal hearings to resolve business disputes through impartial and informed treatment of consumer complaints; (2) recommended decisions based on written findings of fact and conclusions of law; (3) administers the Medical Claims Conciliation Panel; (4) hears appeals relating to the administration of the State's Procurement Code, and (5) due process hearings for the Department of Education that arise under the Individuals with Disabilities Education Act.

D. Statement of Key Policies Pursued

The program implements the State Plan for Individual Rights:

1. <u>Director's Office</u>. Provides support services in the implementation of the State Plan for Individual Rights, Sociocultural Advancement – government, and Fiscal Management – government by examining policies and procedures to improve the efficiency and effectiveness of the administrative processes as well as to improve the quality of programmed services provided.

- 2. <u>Information Systems Office/Communications Office</u>: 1) Strives to improve the efficiency of divisions' operations and therein provide faster and lower cost service to commerce and consumers; 2) strives to make all public information readily available, up-to-date, and in formats, and at hours of the day and week that are convenient to commerce and consumers; 3) strives to protect information from malicious or fraudulent tampering or inappropriate release.
- 3. Office of Administrative Hearings. Provides a fair, simple, and speedy adjudication of contested cases by conducting administrative hearings. The administrative review of determinations will provide a basis for informed and correct administrative action to protect individual rights against arbitrariness, whim and unreasonableness.

E. Identification of Important Program Relationships

The Office of Administrative Hearings assists and maintains contacts with compatible programs in the Department of Agriculture, Attorney General, Health, Land and Natural Resources, Transportation, and other agencies of the State government.

F. Description of Major External Trends Affecting the Program

The program is affected by major external trends as they affect the other programs within the Department.

Public awareness of consumerism continue to affect the number of complaints processed by the Office of Administrative Hearings.

G. Discussion of Cost, Effectiveness, and Program Size Data

The Director of Commerce and Consumer Affairs is responsible for the effective administration of all departmental programs. In order to enable these programs to function efficiently, the Director is required to provide adequate resources and management services to insure efficient and effective utilization of manpower and expenditures.

The current program organization and activities are subject to change depending upon the amount and quality of centralized administrative support services and specific supportive services required for effective coordination of resources and objectives of the departmental program. Any increase in the number of programs or activities placed in the department by legislative action will cause a proportionate increase in the administration and management of resources available, program planning, accounting and disbursement of general, special, and capital improvement monies, as well as personnel services, centralized mail processing, records reproduction services and other centralized administrative support services provided.

H. Discussion of Program Revenue

Estimation of program revenues is based on past collections and future estimates of the licensee population.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

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